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## Good internal communication increases productivity

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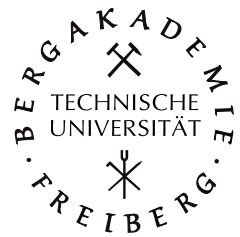
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Michael B. Hinner (Editor)

## Good Internal Communication Increases Productivity

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## Abstract

Internal communication has become an important factor in today's business world. The increased use of electronic media can, despite their obvious advantages, cause communication problems, i.e. information overload. By avoiding communication problems, the productivity of a company can be increased. The relation between internal communication and productivity has been subject of a number of surveys. Although different survey approaches have been used, all found that there is a positive impact of communication on productivity. Since different communication dimensions have a different impact on an employee's perceived productivity, effective and efficient internal communication has to be managed, therefore, in accordance with the situation of each company and its employees.

JEL-classification: A12; C42; J24; J28; J30; M10; M19

Key words: Productivity, Internal Communication, Communication Methods, Communication Problems, Information Overload

## Zusammenfassung

*„Gute interne Kommunikation erhöht die Produktivität“*

In der heutigen Geschäftswelt gewinnt interne Kommunikation als Wettbewerbsfaktor eine zunehmende Bedeutung. Die vermehrte Anwendung von elektronischen Medien kann jedoch trotz ihrer Vorteile auch zu Kommunikationsproblemen, speziell zu Informationsflut, führen. Indem Kommunikationsprobleme vermieden werden, ist es möglich im Unternehmen die Produktivität zu erhöhen. Dieser Zusammenhang ist Gegenstand verschiedenster Studien, die trotz unterschiedlicher Ansätze alle einen positiven Einfluss von Kommunikation auf die Produktivität herausstellten. Aufgrund verschiedener Stellencharaktere und der damit verbundenen Nutzen bestimmter Informationen, beeinflussen vielfache Arten von Kommunikation die Produktivität von Angestellten unterschiedlich. Ebenso sind Unterschiede zwischen den Angestellten und verschiedenen Unternehmenstypologien zu verzeichnen. Folglich ist das Management von interner Kommunikation auf das spezielle Unternehmen und seine Mitarbeiter zuzuschneiden.

JEL-Klassifikation: A12; C42; J24; J28; J30; M10; M19

Schlagworte: Produktivität, Interne Kommunikation, Kommunikationsmethode, Kommunikationsprobleme, Informationsflut

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### Editor's Comment

Dear Reader:

The paper you are about to read was written by a student of Business Administration in partial fulfillment of the Scholarly Rhetoric Seminar held at the Department of Business Administration and Economics at the TU Bergakademie Freiberg. Seminar participants have to write a paper in English on a Business Communication or Intercultural Communications topic, i.e. the domain of this professorship. Because some of the papers are of excellent quality, both in language and content, it was decided to create a forum for their publication. Hence, this series of papers written by those business students.

The purpose of publishing these papers is two-fold: On the one hand, interested parties will have the opportunity to inform themselves of the aptitude of today's business students; and, on the other hand, it will be possible to support and propagate the work of excellent students. I feel good work should be supported and made public because we hear so much about the failings of today's educational system. These papers should demonstrate that we still have good students who are not only fully versed in English - despite the fact that they are not native speakers of English - but also good researchers and analysts. These students tackled problems that many businesses face today; thus, proving that they are not only aware of the current problems, but are also seeking solutions to those problems. This should send encouraging signals to the world of business.

The editor's task was to offer advice and guidance to the students as they researched and wrote their papers during the seminar. Prior to publication, all papers were proofread. The purpose of proofreading was not to change the content or intent of the students' papers, but to ferret out oversights and errata. And if critical questions still needed to be answered, then the students were asked to answer those questions. But this, too, only demonstrates the motivation of the students who continued to work on their papers after having officially completed the seminar last semester.

Isabel Opitz's paper analyzes the role and impact of internal communication on the productivity of employees. Ms. Opitz reviews a number of studies on the subject and comes to the conclusion that while it is often not possible to quantify the benefits of effective communication, all studies do agree that effective and efficient communication does influence productivity in some manner. The difficulty lies in the fact that each business environment and situation is unique; thus, it is not often possible to offer the same solution to every

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company. Consequently, each company needs to find its own solution to implement effective and efficient internal communication. Should this be realized, however, increased productivity could be the result which in turn leads to higher liquidity and greater competitiveness in today's global market.

Michael B. Hinner, Ph.D.

Professor of Business English and Business Communication

## Good Internal Communication Increases Productivity

Internal communication is a very complex process. In general, communication can be defined as the “exchange of meanings between individuals through a common system of symbols” (Communication). In addition, “an organization is nothing more than a group of employees. And it is what they do that makes a company successful” (Communicating). Thus, communication is an interpersonal process, and it seems to be an important factor in daily business.

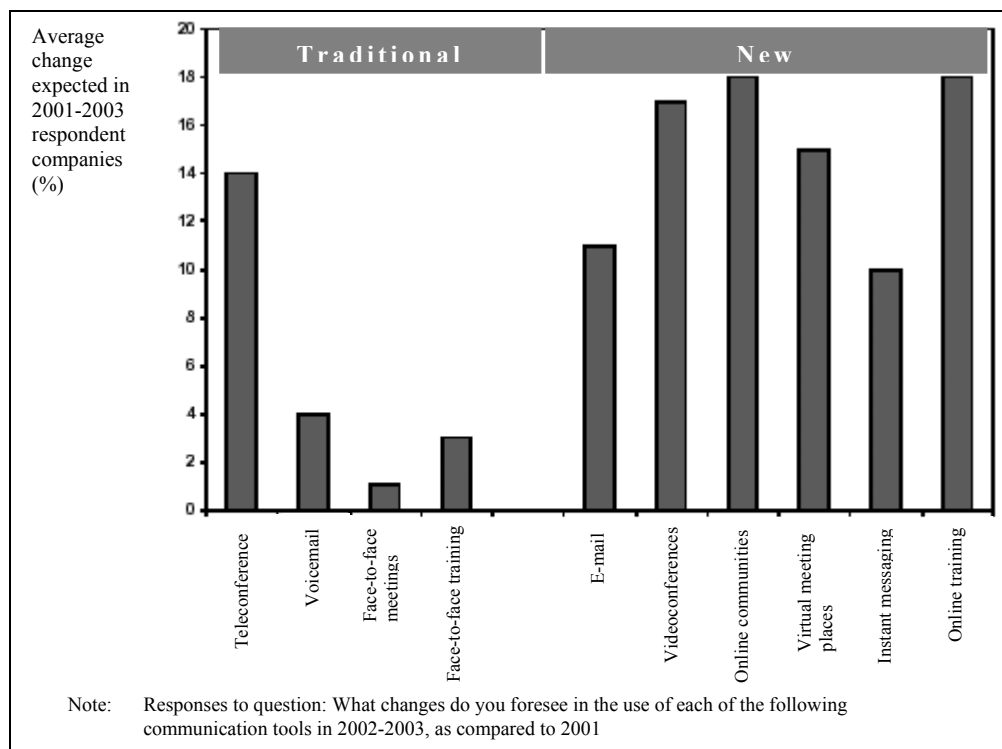
The change from manufacturing structures to service structures in the business world has the effect that machines, capital, and other resources shift into the background of know-how, and the readiness to learn by employees becomes more and more important today (*Kompetenz* 10). Globalizations and mergers in addition to environmental changes, for instance, make internal communication necessary in order to avoid uncertainty, rumors, and lower motivation among employees. One could say that the communication process within a company is the only remaining *Wettbewerbswaffe* (competitive advantage) because other production factors can be copied (Mast, *Kommunikation* 9).

If communication is such an important factor for successful competition, it is then also obvious that effective internal communication increases productivity. The purpose of this paper is to show the importance of internal communication in companies. Moreover, this paper will also discuss how internal communication can influence the productivity of a company. It will be seen that good internal communication can have a positive effect on productivity.

Internal communication takes place in a wide range of ways. The purpose of different communication systems in companies can be information, motivation, or management of employees in general (*Kompetenz* 21). Every system has advantages and disadvantages which depend on different factors such as corporate objectives or corporate culture. Mainly, there are three different categories of communication systems: personal communication, written and printed media communication, and electronic communication. Personal communication, for instance, can be dialogues, meetings, or workshops. Written and printed media communication includes newsletters, boards, or pamphlets. E-mail, telephone, business TV, Internet, and Intranet are only some examples of the various electronic communication systems (Mast, *Kommunikation* 31-82). As Zhao et al point out, eight companies which won the Malcolm Baldrige National Quality Award were interviewed “to identify effective organizational communications” (237). As a result, these companies

developed similar communication systems and all of them “use face-to-face meetings, e-mail, fax, telephone, pager, voice mail, video conference, paper newsletters, memos, and reports” to simplify “effective and efficient organizational communications” (237-238).

The trend in using communication systems is towards electronic media. „Die Ära der klassischen Mitarbeiterzeitung als Flaggschiff der internen Kommunikation ist beendet. Die zukünftigen Informationsinstrumente des internen Marketings werden PC-basiert und dialogorientiert sein” (*Kompetenz* 31). This is supported by a report called *Nil by Mouth?* published by Anderson Consulting and Investors in People UK that states, “Seventy five percent of all business communication today is conducted using electronic media” (Nil). This trend is linked with the new requirements for employees in relation to know-how, knowledge sharing, and learning as mentioned above. With the new technology, access to a huge volume of data and information or a new mode of individual learning has become possible. In figure 1 below, the expected increase of communication methods from 2002 to 2003 are shown. In particular, the new communication methods are expected to increase significantly, e.g. online communities, online training, or videoconferences while face-to-face meetings, face-to-face training, and voicemail are anticipated to increase no more than four percent each.



**FIGURE 1**  
Trend in Communication  
Source: Brownell et al 9



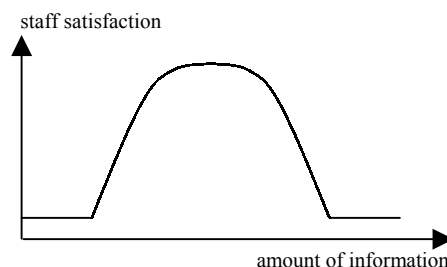
The intranet is a medium that is put into the centre of attention today. According to IDC, “the worldwide market for content management for corporate intranets will grow from \$500 million in 2001 to \$1.5 billion in 2004” (Eprise). “An intranet is an internal staff web site that allows invited staff, clients, vendors, and strategic partners to work together using the Internet as a private, secure network” (Staff). Intranet can be used for a wide range of activities in relation to internal communication. Tools for knowledge management such as databases, training or presentations, human resources, and many more are conceivable. Companies can adapt the intranet as a communication medium to their personal needs (Staff).

In general, intranets convince the user with flexibility and topicality (Mast, Intranet). The advantages of intranets can be optimized processes, timesavings because of virtual meetings, and access to information for all staff in detail (*Kompetenz 33*). Moreover, intranets are more secure and stable than many local area networks of companies (Staff).

A second growing medium in electronic communication is Business TV. An increasing number of companies use this medium to inform staff and avoid long information channels because of hierarchies. Thus, time is saved and contents loss can be avoided. In contrast, Business TV is still an expensive investment but, according to Mast, it leads to higher motivation and team spirit (Business TV).

As mentioned above, the media for internal communication are quiet varied today. Nevertheless, one can repeatedly hear that there are problems in internal communication in companies. There are two opposite extremes that can be identified in this context, i.e. lack of communication and information overload.

One can imagine the relation between staff satisfaction and the amount of information as a graph:



**FIGURE 2**  
Relation between Satisfaction of Staff and Amount of Information  
*Source: Kompetenz 12*

In Figure 2, one can see that there is an optimum somewhere between a lack of information and information overload. Employees will be unsatisfied if they do not receive enough

information that could be important for doing the job effectively and efficiently. In addition, too much information that is useless leads to confusion and lower motivation. Consequently, employees are dissatisfied with their job. The optimum amount of information leads to maximum satisfaction of the employees. One can expect that this relation is an important aspect of higher productivity. Higher satisfaction increases motivation (Mehr). Therefore, productivity is influenced positively because motivated employees work more, and they work more efficiently. In addition, effective communication saves a lot of time that can be used for the main task an employee has at the workplace. Of course, this optimum concerns itself with a theoretical best amount of information, but companies should try to approximate towards this optimum in dependence on their special needs.

Lack of communication is not due to lack of technology. Lemmer, for instance, remarks the following: “Rein technisch sind die Voraussetzungen für eine effektive Kommunikation in Unternehmen gut. Doch wenn Chefs und Mitarbeiter nicht miteinander reden, kommt die Technik nicht zum Zuge.“

One example of poor internal communication, according to STRATECOM, is the problem that many companies fail to link brand strategy with internal communication (Internal). External persons are the traditional target group for brand messages. However, employees “gain a sense of purpose and loyalty” (Internal) through Internal Branding. Deloitte & Touche analyzed this relation in form of a survey of CEOs. “...one-third said they believe company vision is the primary reason employees stay with their companies” (Internal). As Obermeier, the president of STRATECOM, suggests, loyalty of employees is an important factor within competition. In fact, job turnover is very expensive; and in the high-tech industry, Obermeier estimates the cost when an employee leaves the company at \$75,000 (Internal). These costs, as one will see later, have a direct influence on a company’s productivity.

In relation to lack of communication, a second interesting example is the “meeting culture.” Figure 3 below represents one typical situation in meetings. The speaker wants to communicate important information but cannot reach the audience. The problem between the speaker and the others is that they do not have an equal basis for communication. The speaker and the listeners are separated by their different sizes that could symbolize different levels of hierarchy. In addition, the speaker stands in front of the audience while the listeners sit around the table. The audience does not look at the speaker and does not pay any attention. Hence, they communicate in different directions as also depicted through the

different sizes of speaker and audience. Because the speaker is surrounded by “clouds” that obscures his/her vision, he/she cannot notice the problem since it is too far away.



**FIGURE 3**

Meeting Culture

Source: *Kompetenz 11*

Hildebrand, who focused on the problems of a company called NECX, describes a second typical situation in meetings. She notices that in the past, meetings in this company “required either unflappable calm or surreptitious use of earplugs” (Hildebrand 62). Larry Marshall, a COO (Chief Operation Officer) of that company, noticed that they “couldn’t even get one item on the agenda covered. There was so much frustration built up that they [the meetings] would melt down into screaming sessions” (Hildebrand 62).

The consequences of such a meeting culture are extensive. Meetings, like communication in general, cost time and money; but if there are no results and no decisions coming out of meetings, they are much more expensive (Mast, *Kommunikation* 22-26). Mast estimates the costs of a meeting with five employees that takes place every second week and lasts about three hours, at € 76,693.78 to € 153,387.56.<sup>1</sup> These costs do not include the time for preparation or follow-ups and travel expenses (Mast, *Kommunikation* 25).

Furthermore, there are also indirect consequences of such poor communication such as frustration and lower motivation of employees. As a result, lower employee satisfaction can influence customer satisfaction which leads to a drop in sales.

As seen above, there is also information overload which can be a source of communication problems. Today employees very often receive a huge amount of information, and they are repeatedly incapable of handling information overload. According to the study *Nil by*

<sup>1</sup> These figures were given in DM. The basis for € was the official exchange rate of 1 € = 1.95583 DM.

*Mouth?*, only 27 percent of employees get training in how to deal with information overload (Nil).

One influential factor of information overload can be the progress of technology that today makes a wide range of information available: “Die Realtime-Informationsgesellschaft kultiviert die Überinformation” (Oldekop & Eicker 31). Moreover, in today’s business world employees have to be informed on a far larger range of issues because of the requirements of a changing corporate environment to be successful in competition (Information).

Information for employees results from internal and external sources. Firstly, superiors, works councils, colleagues, shareholders, internal publications, management, or other departments act as internal sources of information. Secondly, external sources can be customers, suppliers, competitors, media, or external publications (*Kompetenz* 12-13).

It is interesting to note that the average manager is interrupted every ten minutes by a new message as the report *Nil by Mouth?* uncovered (Warning). Similarly, 73 percent of 209 young professionals who were interviewed had their concentration disturbed by communication and telephone calls. In addition, 34 percent feel disturbed by meetings and 32 percent by the flood of information in general (Oldekop & Eicker 31).

To sum up, communication in today’s companies is more often determined by electronic progress. These new media bring many advantages to support employees in their daily work and assists companies in being successful in a changing business environment. However, there are also problems in communication. Such problems can result from a lack of communication to information overload. An effect of communication problems is supposed to be a decrease in productivity. The relation between communication and productivity has been the center of many surveys. Before describing some surveys, it has to be clear what is meant by the word productivity.

Productivity is

the ratio of what is produced to what is required to produce it. Usually this ratio is in the form of an average, expressing the total output of some category of goods divided by the total input of, say, labour or raw materials. In principle, any input can be used in the denominator of the productivity ratio. Thus, one can speak of the productivity of land, labour...(Productivity).

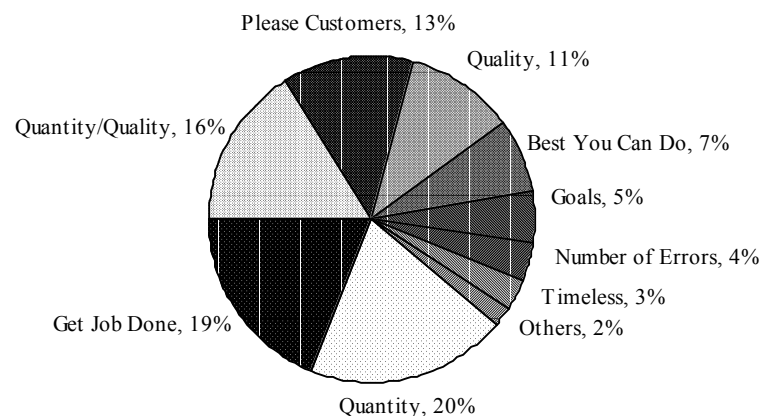
In short, productivity is, therefore, the relation between output and input. For an entire company the general productivity is calculated by all the revenues of a company in relation to all expenses of that same company. One can expect productivity to increase in two ways:

Either the output is increased, or the input is decreased. In relation to communication, there are many conceivable aspects to increase productivity.

On the one hand, output seems to increase if employees are able to carry out their “main task” and are not permanently interrupted by communication that does not fulfill its purpose, e.g. senseless, ineffective meetings, telephone calls, or badly structured databases. On the other hand, very often different employees work on the same project without knowing of each other because of poor communication. A consequence of doing the same work twice is that time is wasted which could be needed to increase the output.

An aspect to decrease the input, especially the costs of labor, is to decrease turnover. As seen above, the loss of one employee is very expensive. Communication problems have an impact on the satisfaction and motivation of employees. With less satisfaction, the rate of employee turnover increases, thus, the costs of labor are much higher than they should be.

In relation to the studies that follow below, the understanding employees have of productivity can vary extremely from the definition given above and within the employees. Clampitt & Downs who analyzed two different companies asked the respondents to define “productivity” (13-15).<sup>2</sup> Figure 4 shows the results of company “S” that represents a service organization.



**FIGURE 4**  
The Meaning of Productivity Company S<sup>a</sup>

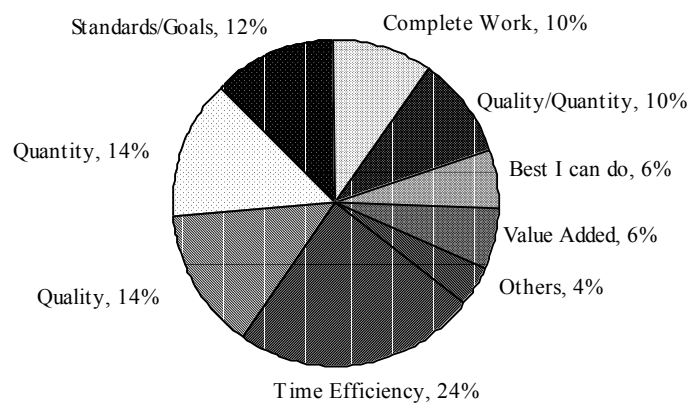
Source: Clampitt & Downs 14

<sup>a</sup> The table of the source was transformed into a diagram by the author to facilitate the comprehension of the data.

<sup>2</sup> This and the next paragraph refer to Clampitt & Downs' study.

For 20 percent of the employees, productivity is the amount of work an employee produced. The second largest percentage of employees referred to productivity as “getting the job done,” and what is interesting for a service company, 13 percent defined productivity as “How good we are with customers.” This shows that service companies concentrate more on external factors since they have a closer contact with customers than manufacturing companies.

The second company that was studied, company “M,” is in manufacturing and the comments of the employees are shown in Figure 5. For about a fourth of all employees, productivity means, “How much you get done in a given amount of time.” Quality defines productivity for 14 percent as does quantity. Very interesting is that only six percent named value added to the corporation. This can be the amount of “output” to calculate different types of productivity such as the productivity of labor, for example.



**FIGURE 5**

The Meaning of Productivity Company M<sup>a</sup>

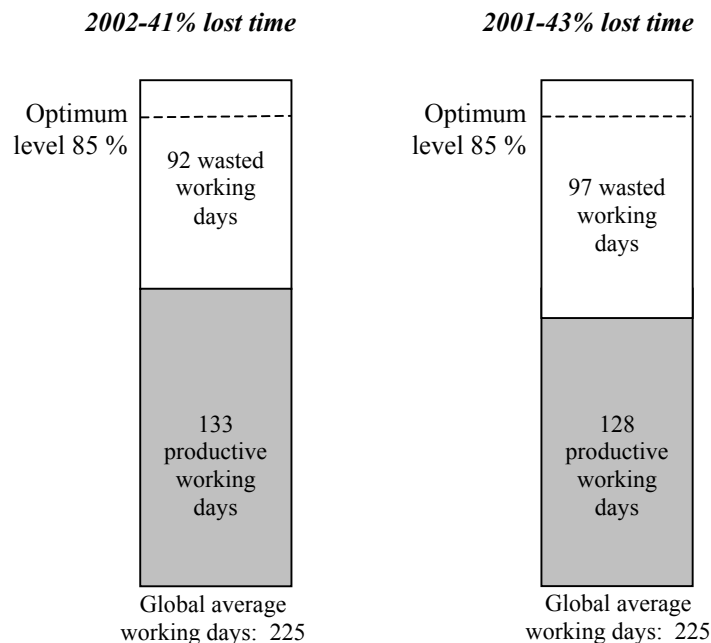
Source: Clampitt & Downs 15

<sup>a</sup> The table of the source was transformed into a diagram by the author to facilitate the comprehension of the data.

The results of the two companies differ from each other. Consequently, if there are increases of productivity because of better internal communication, these increases can hardly be quantified. That is why most of the surveys found below do not give total figures for an increase of productivity but only ask employees if they perceive that internal communication has an impact on productivity. Hence, if there are figures of productivity given in the studies, one has to be critical. Such figures include only a few of many possible aspects of calculating productivity. Thus, one should not take one figure as the only true one, but combine different calculations of productivity to analyze a trend to determine how communication influences productivity.

The first study, called *Untapped potential* by Proudfoot Consulting, used “1,357 individual studies from companies in seven countries: Australia, Austria, France, Germany, South Africa, the UK, and the US” (8).<sup>3</sup> Proudfoot Consulting defined productivity as “output per hour at work” in general (5). In detail, productivity is explained by productive time which is the “time spent by any member of staff on activity that is relevant to their job function and is of value” (22). Consequently, the absolute maximum of productivity is defined as 225 working days per annum; weekends and public holidays were excluded (8). Nevertheless, no company reached 100 percent productivity; therefore, the optimum productivity level is at 85 percent which is 191 days (22). This optimum represents “the total number of productive days per person available as the labour resource to companies after an allowance has been made for holidays, sickness, and training” (8).

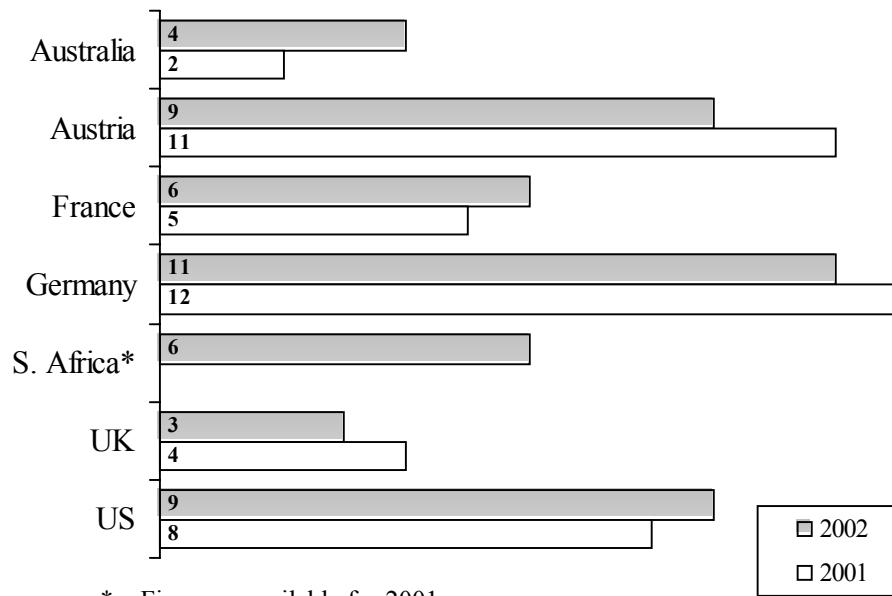
Figure 6 shows the average international findings in 2001 and 2002. Proudfoot Consulting discovered that 92 working days per annum per employee and company were wasted in 2002. In other words, the average productivity level was 59 percent in 2002, and 57 percent in 2001 (10).



**FIGURE 6**  
Lost Time in International View  
*Source: Untapped 10*

Furthermore, the reasons for a loss in productivity were researched. Seven percent of the average international productivity loss result from ineffective communication in both years, i.e. 6.44 lost working days in 2002 and 6.79 in 2001 (10).

<sup>3</sup> This and the subsequent three paragraphs refer to the same source.



**FIGURE 7**  
Ineffective Communication, 2002 vs 2001, percentage  
*Source: Untapped 15*

Moreover, ineffective communication as one reason for less productivity varies within the countries as shown in figure 7. In Germany, poor communication had the highest impact with 11 percent of its total lost time followed by Austria and the US with nine percent each in 2002. It is interesting that “communication varied between companies from complete absence (mushroom management) to levels approaching information overload” (15). Hence, the supposition seems to be true that both extremes of communication problems as shown above lead to less productivity. Typical communication problems, for example, were “silo mentality” (15), with departments that work separately from others and without regard for each other. This aspect shows that the information flow in processes is disturbed. Secondly, confusion about corporate objectives was also identified. The absence of job descriptions and appraisal systems were named as problems as well by Proudfoot Consulting (15).

Proudfoot calculated the cost of the lost time for Germany for the German translation of their study. They calculated that \$223.1 billion were wasted in 2001; that is 14.9 percent of the gross domestic product (gdp) (*Unausgeschöpftes 23*).<sup>4</sup>

The Boston Consulting Group made a telephone survey of 123 large U.S., European and Asian companies in December 2001 (Brownell et al 4).<sup>5</sup> They had assumed that companies

<sup>4</sup> The gdp as a basis was exclusively of the public sector. For more details on the calculation, see *Unausgeschöpftes 23*.

<sup>5</sup> This and the next three paragraphs are related to the same source.

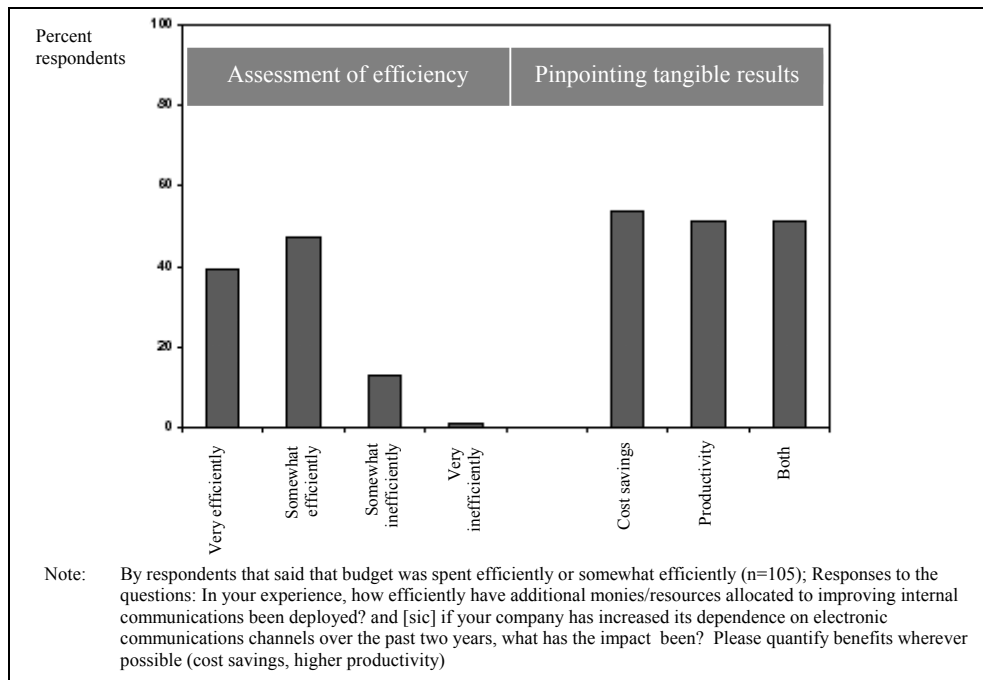


follow an “invest-to-reduce-cost’ model” (5) in relation to new communication technologies which was supported by their findings. This “invest-to-reduce-cost” model means that companies invest in new communication technologies with the purpose to reduce other costs and increase productivity. Brownell et al found that there was an average increase in budgets for communication technologies while there were rigorous budget cuts during 2001 (28).

In detail, 80 percent of U.S. and 90 percent of European and Asian companies had either flat or increased spending on internal communication activities in 2001 while 40 percent of U.S. companies and about 50 percent of European and Asian companies had an increase in their budgets for communication technologies (28).

It is also very interesting to note that successful companies, measured by stock-price, had an increase in communication budgets that were twice as large as that of companies that did not do well. Nevertheless, on average, the companies’ communications budgets rose in 2001 which supports the theory that the companies do so to reduce costs and increase efficiency (5, 29). Companies invest more in communication technologies to design more efficient internal communication processes. Hence, costs are reduced, such as labor costs, that increase the efficiency of the company in general and allow companies to remain competitive in the business world.

Moreover, the respondents were asked if they perceived the communications budgets to be spent efficiently and, if possible, to quantify the benefits. The results are shown in figure 8 below. Ninety percent of the companies think that their communication strategies are efficient, but only 50 percent of them could name the tangible benefits like cost savings or efficiency gains. The other half of the companies had no gains, or they did not know if this was the case (6, 31).



**FIGURE 8**

Perception that Communication Budget Is Spent Efficiently and Quantity of Benefits

Source: Brownell et al 30

Kersley & Martin wanted to prove that “communication between workers and firms is associated with faster productivity growth” (485).<sup>6</sup> Their paper is based on the Workplace Relations Survey (WERS) of 1990 (487).<sup>7</sup> Kersley & Martin distinguished between different ways of communication such as formal and informal communication, one-way or two-way communication, or communication at the establishment level or at a higher level (489).

In their work, the authors used two measures of communication, i.e. works councils and informal consultation. Works councils indicate “the presence of a joint committee of managers and employees primarily concerned with consultation rather than negotiation” (489). Informal consultation as a variable indicates that “firms use one or more of the following means of communication as a matter of policy” (489): quality circles, briefing groups, senior briefings.<sup>8</sup> It is interesting to note that 64 percent of the companies have some kind of informal communication (489-490).

The findings of Kersley & Martin show that different forms of communication have different effects on productivity. Moreover, “informal communication has a large, positive

<sup>6</sup> This and the following paragraphs up to the second paragraph of p. 13 are related to the same source.

<sup>7</sup> See Millward, N. Stevens, M. Smart, D. and Hawes, W. (1992). *Workplace Industrial Relations in Transition: The ED / ESRC / PSI / ACAS Surveys*. Dartmouth Press, Aldershot.

<sup>8</sup> See Kersley & Martin 489 for definitions.

and highly significant effect on productivity growth” (491), whereas works councils have a positive but not significant effect on productivity (491). In addition, there is some evidence that higher-level communication can be harmful (487). Furthermore, one finding of Kersley & Martin is that the “effect of informal communication is to increase the proportion of establishments reporting productivity growth [within the last three years] a lot higher by about 10 percentage points” (493).

To investigate the effect of informal communication in more detail, Kersley & Martin broke informal communication into its elements. As a result, the effect of quality circles is strong and significant; briefing groups have primarily a positive effect and senior briefings did not have any significant effect. Interesting is the fact that quality circles are the only “two-way communication” method of the three measurements of informal communication (494-496).

In summary, communication is most effective on productivity growth if it is informal and decentralized, and when employees are encouraged to contribute as this is the case with quality circles (495).

Another study of communication was conducted by Zhao et al who collected data from 182 U.S. companies of different sizes in six different major industry groups selected from “the first 1,000 companies listed by size in a business directory of a Midwestern state” (242) (236, 243).<sup>9</sup> For the survey, seven communication systems were chosen, i.e. e-mail, face-to-face meetings, fax, groupware or intranet, telephone/pager/voice mail, traditional paper mail and letters, and traditional paper memos and reports (242).

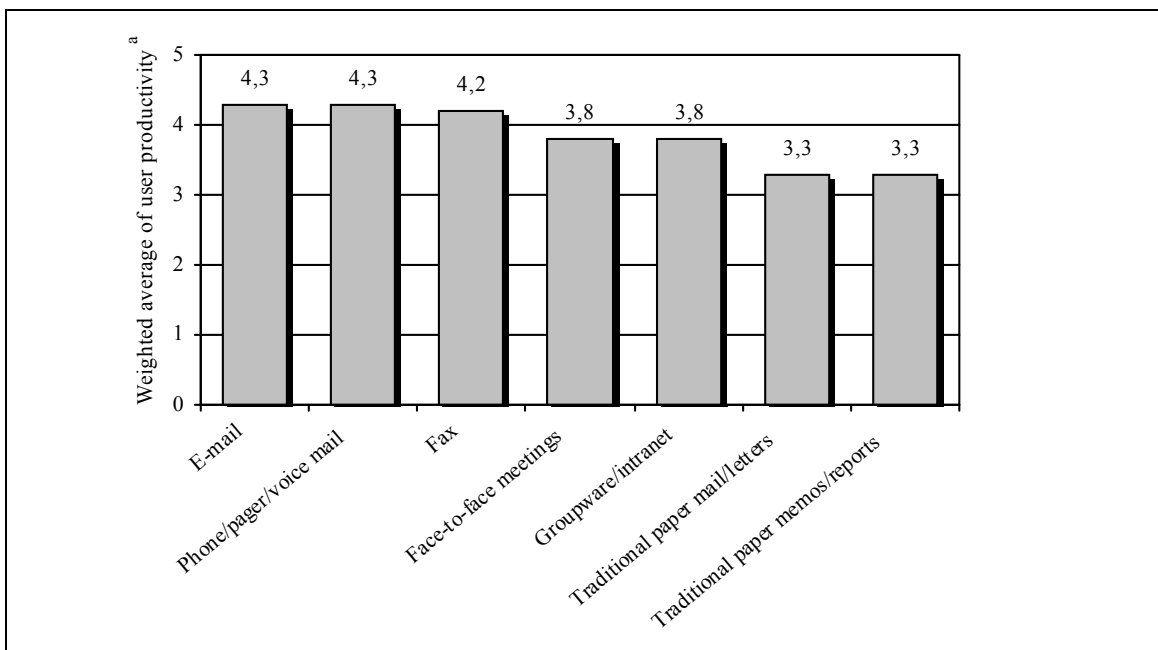
Productivity in this context was defined as the “relationship between input and output or the measure of how well resources (e.g., human...) are combined and utilized to produce a desired result” (243). This definition corresponds to the general definition of productivity given above.

One purpose of the study was to investigate how users of communication systems perceive the impact of each communication system on their productivity. The results are shown in figure 9 below. As one can see, traditional electrical communication systems, such as E-mail, phone/pager/voice mail and fax, are perceived to have the greatest impact on productivity with an average of more than four scored in a scale from zero to five. In contrast, traditional paper mails, letters, memos, and reports do not seem to have any effect on productivity. Moreover, groupware and intranet that were ranked in the middle of the scale are perceived to

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<sup>9</sup> This and the subsequent three paragraphs refer to the same source.

be as effective as face-to-face meetings (247). All seven communication systems have at least some positive effects on productivity.



**FIGURE 9**

Impact on Communication Systems on User Productivity <sup>b</sup>

Source: Zhao et al 247

<sup>a</sup> Responses to a Likert-type scale where 5 = greatly increased productivity, 3 = no change, and 1 = greatly decreased productivity.

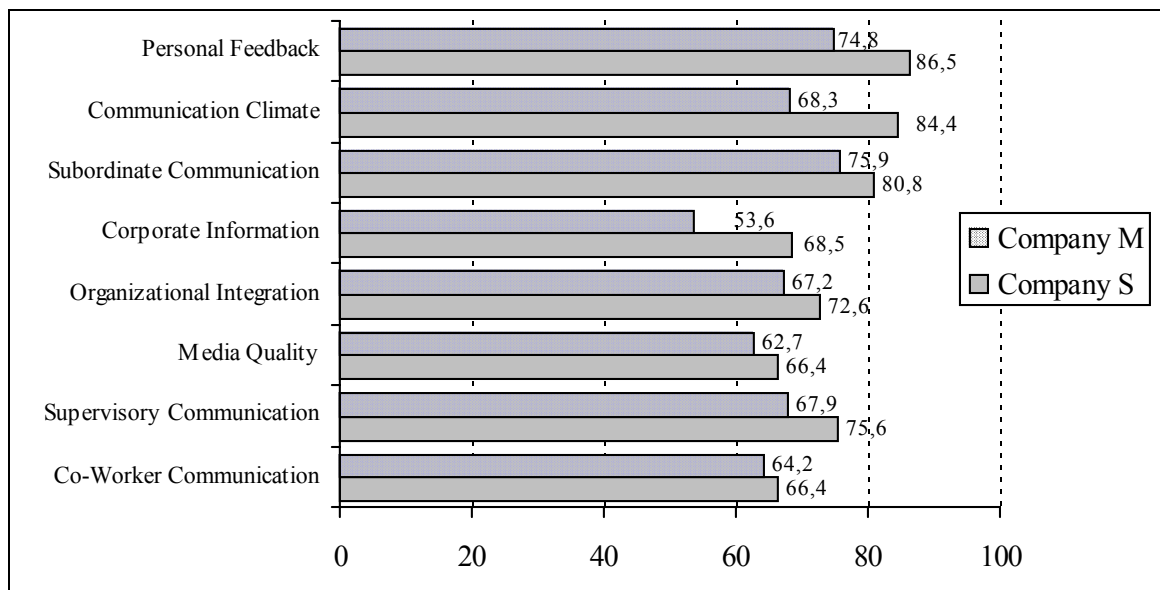
<sup>b</sup> The given table in the source was transformed into a diagram by the author to facilitate the comprehension of the data.

Respondents remarked that they could not survive with their companies in today's business world if they could not use, for example, e-mail, phone, pager, or fax (251). As a result, it seems to be true that electrical and computerized communication systems have a growing positive impact on productivity (251). These communication systems are interactive, i.e. two directional, like typical communication procedures which could be a reason for their growing impact as Kersley & Martin discovered for quality circles a two-way communication method.

Clampitt & Downs also investigated the relationship between communication and productivity, in particular two companies, i.e. company S and company M.<sup>10</sup> As explained above, company S was in the service business as a savings and loan association while company M as a chair manufacturer represented the manufacturing sector (10). Clampitt & Downs explored the "relative impact of the eight Downs and Hazen (1977) communication

<sup>10</sup> This and the following paragraphs up to the first paragraph of p. 18 are related to the same source.

satisfaction dimensions on productivity” (5).<sup>11</sup> These eight dimensions of communication satisfaction are Communication Climate,<sup>12</sup> Supervisory Communication,<sup>13</sup> Organizational Integration,<sup>14</sup> Media Quality,<sup>15</sup> Co-worker Communication,<sup>16</sup> Corporate Information,<sup>17</sup> Personal Feedback,<sup>18</sup> and Subordinate Communication<sup>19</sup> (6-7). Employees perceived the impact of these communication dimensions on productivity as shown in figure 10. To measure the results, a scale from “0,” representing no impact, to “100” for maximum impact was used (12).



**FIGURE 10**

Perceived Impact of Communication on Personal Productivity

Source: Clampitt & Downs 13

On average, the employees of company M perceive Subordinate Communication and Personal Feedback as having the most impact on productivity. Corporate Information, Media Quality, and Co-worker Communication were given the least impact of all. However, these

<sup>11</sup> For more details, see Downs, C. W., and M. D Hazen. A factor analytic study of communication satisfaction. *The Journal of Business Communication*, 14(3) (1977), 63-73.

<sup>12</sup> Reflects communication on the organizational and personal level. It includes such things as the degree to which communication motivates employees to meet corporate goals and to which degree it makes employees identify themselves with the company (6).

<sup>13</sup> Represents upward and downward communication with superiors. It includes the aspects to which degree a superior is open to ideas, listens, pays attention, and offers assistance in solving problems (6).

<sup>14</sup> Degree to which employees get information about immediate work environment such as departmental plans, and requirements of jobs (6).

<sup>15</sup> Represents the degree to which meetings are well organized, written directives are short and clear, and the amount of communication is right (6).

<sup>16</sup> Represents horizontal and informal communication and if it is precise and free flowing (7).

<sup>17</sup> Reflects information about the company as a whole. For example, announcements about changes, financial information, and information about policies and goals (7).

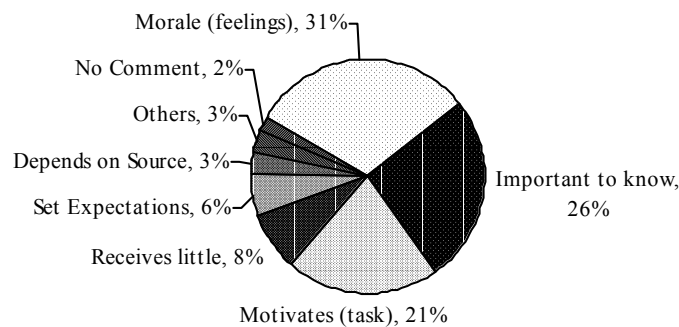
<sup>18</sup> Means that employees know how they are being judged and “how their performance is being appraised” (7).

<sup>19</sup> Concentrates on upward and downward communication with subordinates (7).

communication dimensions are all pointed out as having above average impact on productivity.

Similarly, company S's employees perceive Personal Feedback as having the most impact followed by Communication Climate and Subordinate Communication. Also still above the theoretical midpoint, but ranged at the bottom were Media Quality and Co-worker Communication followed by Corporate Information (12-13). As a general result, it can be stated that communication is perceived as having an above-average impact on productivity (18).

Clampitt & Downs also made content analyses to find out why Personal Feedback was scored so high. The answers are shown in figure 11 for company S and in figure 12 for company M. In company S about a third of the employees "need approval of work level" while 26 percent need to know how they are doing. In addition, Personal Feedback motivates about a fifth of the employees (14).

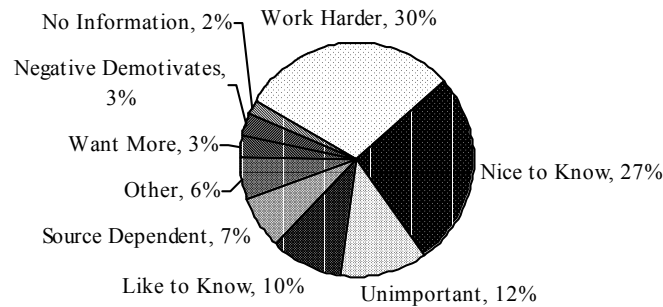


**FIGURE 11**  
How Feedback Impacts Productivity Company S <sup>a</sup>

Source: Clampitt & Downs 16

<sup>a</sup> The given table in the source was transformed into a diagram by the author to facilitate the comprehension of the data.

As shown in figure 12 below, employees of company M mostly work harder (30 percent) if they receive Feedback. The second largest group (27 percent) felt that it is nice to know Feedback. This fact is represented by the following comment: "It has some effect. If I feel I am doing a good job it isn't all that important but it's nice to know" (17). What is interesting is that 12 percent of the respondents do not need Personal Feedback because they think they know if they work well.



**FIGURE 12**

How Feedback Impacts Productivity Company M <sup>a</sup>

Source: Clampitt & Downs 17

<sup>a</sup> The given table in the source was transformed into a diagram by the author. Nine responses were coded in multiple categories. The “No information” category was put in by the author to make the relations clearer.

According to Clampitt & Downs, it, thus, seems to be certain that employees perceive communication that is more effective could increase their productivity in some dimensions. As a consequence, general communication training will have less effect than training that is more focused on special communication areas such as Personal Feedback because different communication dimensions have different effects on productivity (19).

Clampitt & Downs also found that “internal organizational influences... modify the relationship between communication and productivity” (18). That means that the impact of communication on productivity depends on job design and the utility of the information. Many employees rated a given communication dimension low because their job did not implicate this type of communication. Likewise, some dimensions varied in ratings within levels of hierarchy, e.g. Corporate Information. This proves the theory that the impact on productivity also depends on the utility of the information for the special job one has to do (20). This leads to the conclusion that “interventions designed to increase productivity may have one effect at one level of the organization and a quiet different at another level. Hence, any recommendations to improve communication in an organization must take into account the impact of the suggestions on the different subsystems within the organization” (21).

Furthermore, the authors wanted to understand “how the type of organization may moderate perceptions of the link between communication and productivity” (5). As shown in figure 4 and figure 5, the employees of the different companies have different definitions of

productivity. While company S's employees "focused more on external measures of productivity like customer satisfaction" (21-22), company M focused more "on internal measures such as meeting time, quality, and quantity goals" (22). There seem to be general differences between the two sectors of industry so that generalizing the impact of communication can lead to problems (22).

In addition, the authors measured the productivity of employees, and they found that Personal Feedback has less impact on productivity for employees who were highly rated on productivity and more impact for low rated employees in company S. Such a linear relationship was not found in company M. In company M, Feedback influenced employees more that were both highly and less productive than that of the medium productive group, but even the group with the lowest productivity rated the impact of Personal Feedback as above average. Consequently, Feedback has different effects on different people (23-24). Clampitt & Downs supposed that these findings are also influenced by the satisfaction level the employees perceive with the communication dimensions (24). The relationship between communication and productivity seems to be a "more complex than previously assumed" (5) as the authors conclude.

As shown above, there are many possibilities to investigate the relation between communication and productivity. While Proudfoot Consulting used communication in general to measure the time that was lost, others investigated the impact of different dimensions of communication (Kersley & Martin, Clampitt & Downs) or of communication systems (Zhao et al). An interesting approach was used by Brownell et al who focused more on the budgets for communication.

All studies discussed above, even though they differed in some cases from each other, found that internal communication has an impact on productivity. The problem is that often the relation between better communication and higher productivity cannot be quantified. Mostly, the surveys are based on the question of how the impact is perceived by the users, i.e. as noted by Brownell et al, Zhao et al, or Clampitt & Downs. The question is if the respondents' perceptions are right and if they responded truthfully. It may be possible that a person who is asked about his/her productivity could tend to respond more positively. This criticism is weakened when one thinks about the fact that productivity in general was not at the centre of attention in the studies, but the impact of communication on productivity which means some kind of utility communication has to work effectively. According to Zhao et al, "perceptions were used in the study because they are people's observations and recognitions



of reality; people do not deal with reality per se but rather with perceptions of reality” (242). However, as mentioned above, in one study only the half of the respondents could quantify the benefits of communication. The other half either had no gains or did not know of any (Brownell et al 30-31). This does not mean that there are no benefits of communication at all. Although there are gains that result from the use of special communication methods, it is often hard to quantify these gains. For example, how should one quantify the benefits that emerge from the use of e-mail instead of paper memos to set up a meeting? There is certainly a growth in productivity in the company. A method should be applied that measures the time that is saved; i.e. the approach Proudfoot Consulting used. This saved time can then be used for the primary work task of an employee. This leads to higher output within a given time. According to the general definition of productivity, higher output leads to higher productivity. A second point of view leads to the same result. The lost time represents labor costs that could be saved with communication that is more effective, i.e. less input. In conclusion, with time it is possible to measure the changes in productivity. Otherwise, the method of measuring time is linked with the high expenditure of time and money itself, and it is not useful to manage efficient internal communication in companies with this “time-measure” method.

The question remains, how internal communication increases productivity. As shown above, often companies have problems with internal communication that can result from either a lack of communication or information overload. An ideal amount of information should be reached along with an effective use of communication methods and media. Clampitt & Downs determined the satisfaction of the employees with communication satisfaction dimensions. The most interesting finding was that Personal Feedback was the dimension that was ranked last in satisfaction but above the theoretical midpoint that represented average satisfaction. In contrast, this dimension was ranked as having the greatest impact on productivity as noted by Clampitt & Downs (11-12).

Although at first glance, a company does not seem to have communication problems, it can increase its productivity. Zhao et al, for example, found that employees do not automatically use communication systems that are perceived as having the most impact on productivity. E-mail, for instance, was ranked at the top with an impact on productivity, but only 67 percent of the companies reported to use this medium (244, 251-252). That finding “implies the importance of communication technology education and training. If users are not trained to use a new system, they will not like to use it regardless of how good it is” (Zhao et al 252).

Identifying such relations can be the start of increasing productivity. Every company is different with its environment, its corporate culture, and its employees. There is not just one way to increase productivity in any company. For example, Clampitt & Downs, as mentioned above, found the impact of communication on productivity depends on the company itself or its kind of business. In addition, the impact varies between different communication dimensions and groups of employees. Internal organizational factors, such as job design and the utility of the information, were also identified as variables that influence the relation between communication and productivity. By implementing all technical possibilities, a company may only wish to act modern, but may not be interested in improving internal communication. However, this leads to more costs rather than benefits (Lemmer). The key to success is the following: “Der sinnvolle Zuschnitt aufs eigene Unternehmen ist der Maßstab aller Dinge” (Lemmer).

With the knowledge that internal communication has an impact on productivity along with a closer identification with one's company, any good manager is able to find an approach to implement the right communication systems and to guarantee that the amount of information is right to increase productivity. Increased productivity means that resources are used more efficiently. Thus, if other circumstances remain stable, higher gains can be realized by the business. This can result in a company having higher liquidity and greater competitiveness in today's business world.

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